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23 June 1983

## MEMORANDUM FOR THE RECORD

Trip Report - Mutual of Omaha, Omaha Nebraska 15-17 June 1983

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UNCC [ ] C/IB and [ ] DC/IB traveled to Omaha, Nebraska 15-17 June 1983 for insurance related discussions at Mutual of Omaha headquarters. Mr. Larry Keck, of the Mutual Washington, D.C. Group Life Office accompanied them.

On arrival at Mutual's headquarters mid-morning of 15 June, the agenda for the trip was reviewed and updated statistical background information exchanged. Mr. Bob Murphy, Asst. Vice President, of Mutual's group activities served as host and liaison. Meetings began at 1300 hours.

Topic: Benefit Revisions, Health Plan

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Participants: Bob Murphy, [ ] Larry Keck  
Dan Neary - Group Actuary  
Al Altman

## Action Taken:

1. Discussion of ramifications of new TEFRA law effective to 1 January 1983 making employer health plan primary carrier, vice Medicare for employee policyholders age 65-70. Mutual felt that based on their data base it would be necessary to increase premiums by 1% for 1984. IB representatives presented evidence that their data base was in error and that for 1983 and 1984 the impact on premium should be nil as the true number of those possibly affected currently was 33 (it has now been verified that out of the 33 possibles less than five actually were affected). Given the information, Mutual representatives indicated in all likelihood, no adjustments would be required for TEFRA.
2. Review of updated claims, benefits, and premium information as it affects the 1983 and projected 1984 balance sheets. Discussion included what was the best rate increase possible given the current data. This was estimated at 30-31% although the probability of achieving this was still felt to be very low. Mutual will develop this "best possible" balance sheet scenario for our review.

3. Reason for the Difference in Premium Between a Carve Out Lower Option and the Alternative Proposals offered by Mutual in May. The actuaries explained that the carve out was based on our current experience and could not account for changes in utilization which might occur following benefit changes. The alternatives were based on total group universe and actual changes in utilization as a result of benefit changes could be factored in. In other words the carve out premium would be a high estimate for the first year and then reduce based on experience. The alternative might be a bit on the low side for the first year and so have to increase the following year. In order to avoid this, if we wish to consider one of the alternative proposals, it would be possible to factor in a cushion for the rate of as much as 25% to insure plan viability the first year. Mr. Murphy explained that this has been acceptable to OPM in the past.
4. Comparison of Benefits under the Alternative Proposals. Because of our desire to consider benefit changes of a minimal nature and only if required we concentrated our attention on the proposals on the following page. Mutual's Claims Department undertook an item by item comparison of benefits with our current plan which was discussed in-depth on Friday 17 June. There were some differences in coverage principally catastrophic and M & N, which ultimately led us to favor alternative "G" with some modifications should changes be necessary. (All background data and item comparisons are on file in IB).
5. Dental Benefits. Mutual again suggested that if we ultimately decide on one of the alternative proposals a good additional drawing card would be some dental benefits.

## POSSIBLE OPTIONS FOR 1984

PROPOSALS	CATASTROPHIC <sup>a</sup> COVERAGE	DEDUCTIBLE	INPATIENT CARE	SURGERY	MAJOR MEDICAL	MENTAL AND <sup>b</sup> NERVOUS	EMPLOYEE BI-WEEKLY COST (ASSUMES 10% INCREASE OF GOVERNMENT CONTRIBUTIONS)	
							SELF	FAMILY
E	\$1,000 (Lifetime maximum \$25,000 on M & N)	\$150/ Three	90% subject to calendar year deductible	90% subject to calendar year deduct- ible. poss. OP at 100%	90% subject to calendar year deduct- ible	IP-90% limit of 90 days calendar year  OP-\$25 visit limit 50 visit calendar year	\$7.23	\$24.93
F	\$1,000	\$150/ Three	80% subject to calendar year deductible	80% subject to calendar year deduct- ible	80% subject to calendar year deduct- ible	IP-80% limit of 90 days calendar year OP-\$25 per visit limit 50 visit calendar year	6.64	18.68
G	\$2,000 our version	\$200 Two	Room & Board 100% Other 90% subject to calendar year deduct- ible	IP - 90%  OP - 100%	90%	IP-100% Room & Board other 60 days OP-\$15 per visit 50 visit limit (Alternatives to above are be- ing considered)		

<sup>a</sup>Excludes deductible and Mental & Nervous<sup>b</sup>(All subject to calendar year deductible)

Topic: Benefit Revisions and Plan Status - Life (UBLIC)  
Participants: Dan Neary, Randy Horn - actuaries  
Dan Velter - Group Life

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Action Taken:

1. Review of data to determine policyholder portfolio requirements to cover free coverage. The data forwarded from IB required some refinement before Mutual could extrapolate the required information. (IB is working on this at this time.)
2. Discussion of Current Plan Status. Mutual could not opine whether this years performance was an anomaly or possibly indicative that some adjustments were required. They obviously had not had an opportunity to study the data we had given, even Mutual did emphasize that plans must be geared to their universe and if our 1980 benefit and rate changes did not continue to draw in younger policyholders as was its intent then adjustments would be necessary. They also pointed out that in a voluntary plan success was indicated with 75% of available participation.
3. Possible Benefit Options: Mutual appeared to be waiting for us to suggest specific proposals for them to cost out. Instead we pointed out that the average home in the metropolitan area was nearing \$100,000 and the cost of college education for four years was over \$30,000. Given the fact that over 63% of the new applicants in 1982 chosen maximum coverage and yet overall new applications had dropped from [ ] in 1981 to [ ] in 1982 what did they suggest. Mutual asked for information on WAEPA offerings and we in turn sought information on what was normal in the private sector. They provided us with copies of their SELECT Series Contract which is an employer paid contract for life, health, disability and dental benefits explaining that customarily the employer picks up the premium for coverage equal to one years salary and the employee may himself purchase additional optional coverage at salary multiples. Mutual will provide us with some benefit proposals once the study on plan viability is complete.

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Topic: Revised Audit Sheet

STAT Participants: [ ] Bob Murphy, Larry Keck and  
representatives from Mutual's Claims Office responsible  
for computer input.

Action Taken:

Participants conducted a line by line review suggesting possible revisions and adjustments for further developments. Mutual stated that it takes 4-6 weeks to acquire new forms. Beginning use with the new benefit year in 1984 would probably be the easiest to do administratively. (IB is now working on the revisions).

Topic: Loss Control Procedures

STAT Participants: [ ] Bob Murphy, Larry Keck,  
Lowell Madsen and Mark Taylor of Loss Control

Action Taken:

Mutual explained that currently the three areas where loss control procedures are reaping the best return are: private duty nursing, chiropractors, and mental and nervous. Two of the three are irrelevant for GEHA. Regarding mental health care, Mutual has initiated a peer group review. Under these procedures additional information of the sort we request is obtained periodically for inpatient stays beyond a certain number of days and a certain number of outpatient visits. This information sterilized for names is then reviewed by a group of consultants. Unfortunately Mutual had no solution to the problem of information received long after the fact. We discussed the possibility of a policyholder review of hospital bills. Mutual said that there had been some recent writings in the insurance literature on this and they felt they could come up with some general questions or prime areas of interest for the policyholder. However, most policyholders will not be able to do a thorough audit for lack of knowledge. It is best done by a hospital audit of trained professionals. Mutual does these but obviously requires identification information on the policyholder and reaps the greatest benefits on those hospitals which are already known to have billing problems. (Mutual will forward us some areas for consideration in a policyholder review of hospital bills).